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# Pension Funds and the Politics of Ownership in Britain, c. 1970-86

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'It makes one laugh to consider the arguments we have had in the House about nationalisation, one party in favour of extending public ownership and the other party against. But it has been happening all the time without anyone mentioning it...'<sup>1</sup>

**Harold Wilson, House of Commons, 23 June 1981**

## Abstract

The growth of occupational pensions in the post-war era transformed the pattern of capital ownership in Britain as workers' collective retirement savings purchased a substantial share of the national economy. This article examines the response of the Labour and Conservative parties to this significant material change, and considers how it shaped their respective politics of ownership at the end of the post-war settlement. It demonstrates that Labour and the trade union movement recognised occupational pension funds as a new form of social ownership but had to reconcile their desire to give pension scheme-members direct control over their investments with a broader belief that the funds needed be used for a state-coordinated revitalisation of the industrial economy. Meanwhile, the Conservative Party's initial enthusiasm for occupational pensions, which it championed for helping to create a 'property-owning democracy', was challenged by a radical neoliberal critique in the early-1980s that sought to dismantle pension funds and to individualise investment. The findings in the article assert the need for historians to situate the politics of the tumultuous 1970s and 1980s in the context of the substantial economic and social changes that had taken place during the post-war decades. These changes often created opportunities to formulate new policies and political agendas, but also served to highlight deeper tensions within the ideologies of the main political parties.

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<sup>1</sup> Harold Wilson, Parliamentary Debates, Commons, vol. 997, cc. 547-66, 23 June 1981.

## Introduction

The ownership of the British economy was transformed in the post-war decades as private individuals were replaced by financial institutions as the primary owners of British capital. This radical shift was the product of Britain's pension system, in which the basic state pension provided a universal insurance scheme that delivered a flat (and low) rate of retirement income to all contributors, on top of which individuals were expected to secure additional private pension savings to ensure a more comfortable retirement. In the post-war decades, the provision of such private pensions primarily took the form of 'occupational pensions.'<sup>2</sup> These were provided to employees by their employers through the creation of a fund into which both made contributions related to the employee's salary. On retirement, employees could then draw a sum of money from the fund, the size of which was usually determined by their final salary.<sup>3</sup> To provide for these substantial retirement benefits the funds were invested primarily in private equities, government bonds, and property. This investment was undertaken either by in-house fund managers with external financial advisors, or managed directly by financial institutions on behalf of the pension scheme. In 1981, almost one third of total pension fund assets were delegated to the private management of insurance companies, and in 1984 a small group of 15 fund managers (mainly merchant banks) were responsible for investing a third of all pension funds.<sup>4</sup> The schemes would usually be overseen by a board of trustees, which tended to be small and gave limited representation to scheme members. In a 1982/3 survey of pension schemes only 1 in 8 had more than 10 trustees, and in only one quarter of schemes did the board consist of at least 50 per cent scheme member-trustees.<sup>5</sup> Prior to the Second World War such schemes were the preserve of high-income private sector workers and public servants, yet in the post-war decades there was a substantial increase in the number of enrolled workers. Occupational scheme membership rose from 1.5 million in 1936, to 6.2 million in 1953, and then to 11.8 million in 1979 (51 per cent of the total workforce).<sup>6</sup> This significant growth in membership was driven by a combination of factors, though of particular importance was the need for employers to attract and retain employees within a tight labour market, plus the provision of tax relief on contributions and on the interest, dividends and capital gains arising from fund investment. These tax reliefs, which cost the exchequer £400 million in 1979, were designed to encourage the expansion of occupational pension coverage, and were supported by both the Labour and Conservative parties in

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<sup>2</sup> In response to the immediate needs of pensioners in the 1940s, the contributory model was never implemented as Beveridge intended. Over the course of the post-war decades the state also began to provide some earnings-related pensions to those unable to enrol in an occupational scheme - this culminated in the creation of the State Earnings Related Pension Scheme in 1978. For an overview of the complex evolution of pensions since 1945 see Hugh Pemberton, 'Politics and Pensions in Postwar Britain', in Hugh Pemberton, Pat Thane, and Noel Whiteside (eds.), *Britain's Pensions Crisis: History and Policy*, (Oxford, 2006), 39-63

<sup>3</sup> For a history of occupational pensions in Britain, see: Leslie Hannah, *Inventing Retirement: the development of occupational pensions in Britain*, (Cambridge, 1986).

<sup>4</sup> Tom Schuller, *Age, Capital and Democracy: member participation in pension scheme management*, (Aldershot, 1986), 68; 95-7.

<sup>5</sup> *Ibid.*, 71.

<sup>6</sup> Joan C. Brown and Stephen Small, *Occupational Benefits as Social Security*, (London, 1985), 138; 153; 'Report of the Committee on the Economic and Financial Problems of the Provision for Old Age' (the Phillips Report), (London, 1954), p. 59.

government.<sup>7</sup> The contributions of an increasingly affluent workforce to pension funds, the fact that very few individuals were yet to draw their pension, and the high rate of return on investment in the post-war growth boom, resulted in a substantial increase in total fund values. Between 1957 and 1978 the total real market value of all pension fund assets grew from £8.3 billion to £31 billion (in 1978 prices).<sup>8</sup> Thirteen of these funds held assets worth over £500 million each: seven public sector schemes (including the Post Office and British Telecom) and six in the private sector (Barclays bank, National Westminster bank, British Petroleum, ICI, the Imperial Group, and Shell).<sup>9</sup> Furthermore, by 1978 private insurance funds, many of which also offered pension provision, or managed occupational funds, held assets worth £44.6 billion.<sup>10</sup>

This vast accumulation of savings had a profound effect on the pattern of ownership in the British economy. At the start of the Second World War it was estimated that private individuals owned over 80 per cent of the ordinary shares listed on the London Stock Exchange, and in 1963 pension funds were the beneficial owners of a mere 6 per cent of ordinary shares. Insurance companies owned 10 per cent. Yet by 1981 individual share ownership had been reduced to 28 per cent, while pension funds and insurance companies had increased their shareholdings to 27 per cent and 21 per cent respectively.<sup>11</sup> In 1978 pension funds held £15.5 billion worth of ordinary shares, as well as £6.5 billion in British government securities, and £5.4 billion in property.<sup>12</sup> This dramatic transformation of capital ownership in Britain was driven by a combination of tax incentives and a ‘cult of equity’ amongst fund managers pursuing above inflation returns on investment.<sup>13</sup> The journalist John Plender observed in 1982 that in each year since the war the collective savings institutions had ‘quietly absorbed an average 1% - 1½% of the share capital of quoted companies, thereby establishing a growing hold on the means of production in Britain.’<sup>14</sup> This phenomenon was not confined solely to Britain, and was particularly prominent in the USA. Indeed, in 1976 Peter F. Drucker claimed that, as a result of its ‘pension-fund revolution’, the USA had ‘without consciously trying... “socialized” the economy without “nationalizing” it.’<sup>15</sup> Historians of twentieth century Britain have tended

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<sup>7</sup> Claire Munro, ‘The Fiscal Politics of Savings and Share Ownership in Britain, 1970-1980’, *The Historical Journal*, 55: 3 (2012), 775; Pemberton, ‘Politics and Pensions in Post-war Britain’, 46-49; Hannah, *Inventing Retirement*, (Cambridge, 1986), 65-80.

<sup>8</sup> *Committee to Review the Functioning of Financial Institutions: Evidence on the Financing of Industry and Trade*, appendix (1980), table 3.50.

<sup>9</sup> Hannah, *Inventing Retirement*, 75.

<sup>10</sup> *Committee to Review the Functioning of Financial Institutions*, appendix (1980), table 3.47.

<sup>11</sup> *Stock Exchange Survey of Share Ownership*, (London, 1983), table 2.1b.

<sup>12</sup> *Committee to Review the Functioning of Financial Institutions: Evidence on the Financing of Industry and Trade*, appendix (1980), table 3.52.

<sup>13</sup> Brian R. Cheffins, *Corporate Ownership and Control: British Business Transformed*, (Oxford, 2008), 344-381; Hannah, *Inventing Retirement*, 73-75; Yally Avrahampour, ‘“Cult of Equity”: Actuaries and the Transformation of Pension Fund Investing, 1948-1960’, *Business History Review*, 89: 2 (2015), 281-304.

<sup>14</sup> John Plender, *That’s the Way the Money Goes: Financial Institutions and Your Savings*, (London, 1982), 13.

<sup>15</sup> Peter F. Drucker, *The Unseen Revolution: How Pension Fund Socialism Came to America* (London, 1976); Tony Cutler and Barbara Waite, ‘Social Insecurity and the Retreat from Social Democracy: Occupational Welfare in the Long Boom and Financialization’, *Review of International Political Economy*, 8: 1 (2001), 96-118; Gordon Clark, *Pension Fund Capitalism* (Oxford, 2000).

to overlook this major change to the structure of the British economy.<sup>16</sup> Although there has been extensive historical research on the politics of ownership in this period, there are few references to the changes brought about by the growth of pension funds. This absence from the historiography is not, however, the fault of inattentive historians but in fact reflects the reality that the growth of pension fund ownership and investment went largely unnoticed by politicians and the wider public prior to the 1970s. Indeed, in his 1977 memoirs Harold Wilson described his surprise that ‘the biggest revolution in the financial scene this century’ had been ‘totally unperceived by political or even financial commentators until very recently.’<sup>17</sup> From the mid-1970s this had begun to change as the extent of the transformation became more widely recognised across the political spectrum.

This article examines how the Labour and Conservative parties responded to the changed pattern of investment engendered by the growth of pension funds, and focuses in particular on how this trend impacted upon their respective political and ideological agendas relating to the question of ‘ownership’. The first section of the article will demonstrate that for the Labour Party, and its trade union partners, the pension funds were seen positively as a new form of social ownership obtained through the deferred pay of workers. The party’s initial response – prompted by the trade unions – was to demand that since the funds were the accumulated wages of scheme members they should be subject to control by those members. However, the left also believed that the immense financial resources at the disposal of the pension funds needed to be deployed in the national interest, and that it was necessary for the state to channel retirement savings into domestic industrial investment. Labour’s attempts to reconcile these competing goals highlights the long-standing tensions in its political economy over the locus of democratic control. The second section of the article will show that the Conservative Party not only favoured occupational pensions as an alternative to state welfare provision, but as a positive means to help create a ‘property owning democracy’ in mid-1970s. However, in the early 1980s this rationalisation of the pensions status quo was challenged by a small group of individuals who sought to dismantle institutional ownership in favour of individual ownership by ‘personalising’ pensions. This novel agenda had a substantial influence on the Thatcher government’s approach to pension reform after 1983, yet its advocates were constrained the party’s benign view of occupational welfare provision, as well as the practical limitations on achieving radical change. Overall the article will demonstrate that while the institutionalisation of ownership offered opportunities for both Labour and the Conservatives to advance their respective political agendas, the widening of ownership through pension funds also highlighted divergences and deeper tensions within the parties’ ideologies. Based on these findings, the article will conclude by arguing that the turbulent politics of the 1970s and

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<sup>16</sup> A recent exception is James Reveley and John Singleton, ‘Labour, Industrial Revitalization, and the Financial Sector, 1970-79’, *Twentieth Century British History*, 27: 4 (2016), 599-620. See also, Aled Davies, *The City of London and Social Democracy: the political economy of finance in Britain, 1959-1979*, (Oxford, 2017), 37-74; Robin Blackburn, *Banking on Death: Or, Investing in Life: the history and future of pensions*, (London, 2002).

<sup>17</sup> Harold Wilson, *Final Term: The Labour Government, 1974 – 1976*, (London, 1977), 146-150.

1980s were conditioned by the substantial economic and social changes that had taken place during the preceding three decades: in this instance, the widening of capital ownership through occupational pension schemes. These changes did not lead to inevitable political outcomes, but they did create the conditions in which it was possible for radical new policy agendas to emerge.

### The Labour Party

The question of ownership has always been central to the politics of the Labour Party. Clause IV of its 1918 constitution committed the party to securing ‘the common ownership of the means of production, distribution and exchange’ – a pledge made concrete after 1945 by Clement Attlee’s Labour governments when the coal, iron, and steel industries were nationalised alongside the railways, electricity, telecommunications, and Bank of England. Yet commitment to nationalisation was never universal in the party. Before the war a range of alternative models of common ownership competed (e.g. guild socialism, cooperation, state ownership). After 1951, ‘revisionists’ in the party questioned the purpose and necessity of public ownership, much to the frustration of the Bevanite-left who believed that public ownership was a core principle of socialism.<sup>18</sup> Intellectually shaped by Anthony Crosland, and finding political expression in Hugh Gaitskell’s leadership of the party after 1956, the revisionists argued that capitalism had been brought to heel by a newly interventionist state, and that a division between ownership and control had developed so that capitalist shareholders had been relegated to a passive role, leaving the administration of industry to a new non-capitalist managerial class.<sup>19</sup> However, as Ben Jackson has shown, some revisionists did suggest creating alternative forms of ownership, such as a national unit trust, as a way to reduce inequalities of wealth.<sup>20</sup> With characteristic guile, Harold Wilson held the pro- and anti-nationalising wings of the party together throughout the 1960s, but by the early-1970s demands for public ownership were resurgent in the party. Labour’s left-wing sought either to revive the party’s nationalisation agenda (e.g. of the banking system), or to pursue an alternative increase in state ownership through a National Enterprise Board (NEB).<sup>21</sup> Inspired by the intellectual contribution of Stuart Holland, and promoted most strongly in government by Anthony Wedgwood Benn as part of the Alternative Economic Strategy, this latter proposal was that the NEB should purchase shares in the nation’s most significant firms to extend public ownership

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<sup>18</sup> For an overview of the history of the Labour Party’s political and economic thought, see: Geoffrey Foote, *The Labour Party’s Political Thought: A History*, 3<sup>rd</sup> ed. (1997); Noel Thompson, *Political Economy and the Labour Party: the economics of democratic socialism, 1884-2005*, 2<sup>nd</sup> ed., (Abingdon, 2006).

<sup>19</sup> C.A.R. Crosland, *The Future of Socialism*, (London, 1956); Tudor Jones, ‘Labour revisionism and public ownership, 1951 – 63’, *Contemporary Record*, 5: 3 (1991), 432-449.

<sup>20</sup> Ben Jackson, ‘Revisionism Reconsidered: ‘Property-owning Democracy’ and Egalitarian Strategy in Postwar Britain’, *Twentieth Century British History*, 16: 4 (2005), 433-437.

<sup>21</sup> Davies, *The City of London and Social Democracy*, 96-107.

throughout British industry.<sup>22</sup> It is in this context that the Labour party's response to pension fund ownership must be situated.

The politics of pension fund ownership concerned the labour movement as a whole, and not simply the Labour Party's intellectual and Parliamentary elite. The growth of occupational pension scheme membership mirrored the post-war growth of white collar trade unionism. By 1979, 44 per cent of all white-collar workers were members of a trade union, and they made up 40 per cent of all trade unionists.<sup>23</sup> These concurrent trends were undoubtedly the reason why the trade union movement was the first to recognise the significance of the economic change brought about by mass occupational pension provision. The demand for decent employer-provided pensions from white-collar workers brought the issue into the scope of collective bargaining, which ensured that trade unions became more knowledgeable about pension schemes.<sup>24</sup> Trade union support for occupational pensions was well established by the 1950s and, as Hugh Pemberton has shown, the Trades Union Congress (TUC) had actually prevented the creation of a national, state-run earnings-related pension scheme championed by the Labour Party, because its member unions wished to defend existing occupational pensions.<sup>25</sup> Following the 1973 Social Security Act, which laid down minimum requirements for occupational pension schemes, Edward Heath's Conservative government encouraged trade union involvement in negotiations with employers over the provision of pension schemes, believing that it was the responsibility of trade unions to secure improved provision for their members above the basic requirements of the act. Bargaining over pensions, rather than pay, was also deemed preferable because it allowed employers to award deferred pay rises that would not have an immediate impact on inflation.<sup>26</sup>

The trade unions conceptualised the funds into which employee and employer pension contributions were accumulated as 'deferred pay'.<sup>27</sup> Employer contributions were understood as wages held in trust on behalf of employees, and so occupational funds were seen by the unions as the property of scheme members. The logical extension of this was that employees should be able to exercise control over their fund, rather than leaving its management to their employer. In a speech to a conference on pensions in March 1975, extracts

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<sup>22</sup> Mark Wickham-Jones, *Economic Strategy and the Labour Party: Politics and Policy-making, 1970-83*, (Basingstoke, 1996), 53 – 84; John Callaghan, 'Rise and Fall of the Alternative Economic Strategy: From Internationalisation of Capital to 'Globalisation'', *Contemporary British History*, 14: 3 (2000), 104 – 130.

<sup>23</sup> Chris Wrigley, *British Trade Unions since 1933*, (Cambridge, 2002), 22-23; Joseph Melling, 'Managing the White-Collar Union: Salaried Staff, Trade-Union Leadership, and the Politics of Organized Labour in Postwar Britain, c. 1950-1968', *International Review of Social History*, 48 (2003), 245-271.

<sup>24</sup> See for example: Trades Union Congress, *Occupational Pension Schemes: A TUC Guide*, (London, 1976).

<sup>25</sup> Hugh Pemberton, 'The failure of 'nationalization by attraction': Britain's cross-class alliance against earnings related pensions in the 1950s', *Economic History Review*, 65: 4 (2012), 1428-1449.

<sup>26</sup> David Wright, 'Unions becoming more involved', *Financial Times*, 28 January 1974.

<sup>27</sup> The National Archives, Kew [Henceforward TNA]: AST 43/46, Clive Jenkins, 'Bargaining for Better Pensions', *Pensions World*, May/June 1975, 101; Letter from Roger Beson, *Times*, 15 October 1976.

of which were later published in the journal *Pensions World*, the General Secretary of the white-collar Association of Scientific, Technical and Managerial Staffs (ASTMS), Clive Jenkins, highlighted the discrepancy between the control normal investors had over their investment decisions, and the lack of control afforded to pension scheme members over the investment of their pension fund, which remained the preserve of the management appointed trustees.<sup>28</sup> The trade unions railed against this apparent injustice, and argued that in addition to having the freedom to bargain with employers over the structure of occupational schemes (especially contribution and benefit rates), they should be able to exercise control over the management of the schemes. That is not to say that the unions wanted complete control, but rather to achieve parity with management. In an article for *Benefits International* in 1974 the head of Pensions and Social Services at the General & Municipal Workers' Union (GMWU), Harry Lucas, stated that the unions simply wanted to 'share the power of pension investment' with employers.<sup>29</sup>

At the annual congress of the GMWU in 1973, Jack Eccles (a member of the National Executive Committee who later became President of the TUC in 1984) proposed a wide ranging motion on pensions that was adopted unanimously.<sup>30</sup> One of the recommendations was that pension tax reliefs should only be provided to schemes where, among other things, 'there is equal representation on Trustee and Pension Management Boards for the members of the pension scheme.'<sup>31</sup> Then in October 1973 the GMWU backed a motion, put forward by the Union of Post Office Workers to the Labour Party National Executive Committee, which demanded 50 per cent trade union representation on the management boards of all occupational pensions. The proposal was passed unanimously, with the high-profile support of Shirley Williams.<sup>32</sup> Although the idea did not find its way into the Labour Party manifesto prepared for the general election held in February 1974, in July of that year the Secretary of State for Health and Social Services, Barbara Castle, asked the Occupational Pensions Board (OPB, a regulatory body set up following the 1973 Social Security Act) to examine 'the extent to which there should be statutory provision about the participation of employee members in running their occupational pension schemes'. The OPB supported participation, but did not favour legislation to enforce it, and instead recommended that the government publish a code of good practice to encourage member participation.<sup>33</sup> However, when James Callaghan became Prime Minister in April 1976 Barbara Castle was replaced by David Ennals, and in June the government published a White Paper proposing that 50 per cent of the membership of any body controlling a pension fund must come from 'recognised independent trade unions'.<sup>34</sup> This proposal reflected the wider move within the

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<sup>28</sup> TNA: AST 43/46, Clive Jenkins, 'Bargaining for Better Pensions', *Pensions World*, May/June 1975, 101.

<sup>29</sup> TNA: AST 43/46, Harry Lucas, 'Giant steps in the U.K. Pensions Arena', *Benefits International*, June 1974, 15-19.

<sup>30</sup> Janice Mitchell, 'Obituary: Jack Eccles', *Observer*, 7 March 2010.

<sup>31</sup> TNA: AST 43/46, Lucas, 'Giant steps in the U.K. Pensions Arena'.

<sup>32</sup> 'Half membership of pension boards 'should come from trade unions'', *Financial Times*, 5 October 1973.

<sup>33</sup> Cmd. 5904, *Report of the Occupational Pensions Board in accordance with Section 66 of the Social Security Act, 1973 on the questions of Solvency, Disclosure of Information and Member Participation in Occupational Pension Schemes*, (London, 1975).

<sup>34</sup> Cmd. 6514, *Occupational Pension Schemes: the role of members in the running of schemes*, (London, 1976).



Labour Party and on behalf of the trade unions during the 1970s in favour of ‘industrial democracy’ – an agenda that found its formal expression in recommendation of the report of the Bullock Committee in 1977.<sup>35</sup>

The White Paper proposals met with strong resistance from employers and the Conservative opposition. Neither expressed opposition to participation in principle, but both were strongly critical of the idea that it should be achieved solely through trade unions. Patrick Jenkin, shadow Conservative Minister, claimed that handing over pension funds to the ‘union bosses’ would be a ‘monstrous extension of trade union power.’<sup>36</sup> Employers were unanimous in their view that giving trade unions a monopoly would be unfair to scheme members who were not union members – it would be, according to the National Association of Pension Funds, a ‘disenfranchisement’ of non-unionised employees.<sup>37</sup> Labour’s minister responsible for introducing the policy, Stanley Orme, insisted that the approach was justified on the grounds that ‘the overwhelming majority of people in occupational schemes are members of independent trade unions’. Furthermore, trade unions were seen, unsurprisingly, as being best equipped to protect the collective interest of workers, and having the necessary democratic machinery for choosing representatives.<sup>38</sup> Despite this hostility, most notably from the Confederation of British Industry (whose support, like that of the trade unions, was needed if the government was to succeed in its overall attempt to negotiate a non-inflationary economic agenda), Ennals and Orme defended their proposals with the strong backing of the TUC.<sup>39</sup>

Beyond their concern for the non-unionised worker, critics of the government’s proposal were also fearful that the trade unions would use their position for the purposes of political investment. In his article for *Pensions World*, Clive Jenkins asserted that part of the reason for union representation was a result to the lack of ‘social responsibility’ shown by pension funds. He wrote:

‘Investments in South Africa, property, agricultural land, non-productive fringe banks and even works of art are surely not in the national interest. The monies so used are held in trust for the employees of this country and not only do they have the right to expect that they should attract a

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<sup>35</sup> Cmd. 6706, *Report of the Committee of Inquiry on Industrial Democracy*, (London, 1977); Adrian Williamson, ‘The Bullock Report on Industrial Democracy and the Post-War Consensus’, *Contemporary British History*, 30: 1 (2016), 119-149.

<sup>36</sup> David Churchill and Eric Short, ‘Plan to give unions right to pension fund representation’, *Financial Times*, 25 June 1976; David Churchill and Eric Short, ‘Pension participation and the unions’, *Financial Times*, 13 July 1973.

<sup>37</sup> Quentin Guirdham, ‘Pension fund leaders fight to alter State proposals’, *Financial Times*, 28 June 1976; ‘The honeymoon is over’, *Economist*, 3 July 1976; ‘Participation and pensions’, *Economist*, 10 July 1976.

<sup>38</sup> Stanley Orme, Parliamentary Debates, Commons, vol. 913, cc. 2015-34, 25 June 1976; TNA: AST 43/101/2, ‘Minister for Social Security Speech for TUC Conference on Occupational Pensions’, 6 October 1976.

<sup>39</sup> TNA: PREM 16/1118, Denis Healey to Prime Minister, ‘Occupational Pensions Bill: Member Participation’, 21 October 1976; David Ennals to Prime Minister, ‘Occupational Pensions Bill: Member Participation’, 3 November 1976.

reasonable return, they have the right to expect that the investments made on their behalf will benefit their fellow employees, their children and their grandchildren.<sup>40</sup>

The trade union push for member control over pension funds emerged during a period of significant economic crisis and an acceleration of national industrial economic decline. As has been described elsewhere, many on the left saw the huge accumulation of retirement savings as a key resource in the revitalisation of Britain's domestic economy.<sup>41</sup> This was based on the assumption that a massive increase in national investment was essential for Britain to escape the contraction in manufacturing output and employment during the turbulent 1970s.<sup>42</sup> Advocacy for directing pension funds into national industrial renewal was founded on the assertion that the funds had an obligation to the wider community beyond their sectional interest, and that the way to achieve this was to bring those funds within the purview of the state. In the 1950s the Labour Party had proposed creating a single state-run pension scheme that would provide coverage to all workers, while also providing a substantial national fund that could be invested in the economy.<sup>43</sup> However, by the 1970s, many in the Labour Party and trade unions believed that rather than creating a new pension scheme, the resources of the existing private schemes could be co-opted by the state via its intervention in fund investment decisions. For example, Tony Benn proposed compelling a proportion of pension funds into the National Enterprise Board.<sup>44</sup> The difficulty, which seems not to have been recognised by the advocates of both worker representation and the use of the funds for national industrial revival, was that the two aims were not necessarily compatible. *The Economist* noted in 1975 that existing trade union involvement in pension funds had not resulted in a politicisation of investment designed to fund 'unprofitable schemes to bolster employment', and that trade union trustees had proved themselves to be 'paragons of financial orthodoxy.'<sup>45</sup> As Stanley Orme told the Commons – 'One cannot envisage trade unionists wanting the company in which they work to lose money which is their own money. They will want to see funds invested in the best possible manner.'<sup>46</sup> Furthermore, pension schemes were bound by trust law, in which they were legally obliged to serve only the interests of their members.

Attempts to reconcile tensions between fund member ownership, and the left's broader desire to revive Britain's ailing industrial economy, were led by Harold Wilson. In September 1976, a few months after

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<sup>40</sup> Jenkins, 'Bargaining for Better Pensions'.

<sup>41</sup> Davies, *The City of London and Social Democracy*, 37-74; see also Reveley and Singleton, 'Labour, Industrial Revitalization, and the Financial Sector...', 599-620.

<sup>42</sup> TUC Archive: MSS.2920/450/2, Tony Benn, Frances Morrell, and Francis Cripps, 'A Ten Year Strategy for Britain', April 1975; Jim Tomlinson, 'Economic Policy', in Anthony Seldon and Kevin Hickson (eds.), *New Labour, Old Labour: the Wilson and Callaghan Governments, 1974-79*, (London, 2004), 56.

<sup>43</sup> Hugh Pemberton, 'What matters is what works': Labour's journey from 'national superannuation' to 'personal accounts', *British Politics*, 5: 1 (2010), 46-47.

<sup>44</sup> 'Wilson disowns pension funds plan', *Financial Times*, 28 April 1975.

<sup>45</sup> 'No, this is not a hijack', *Economist*, 21 February 1975.

<sup>46</sup> Stanley Orme, *Parliamentary Debates, Commons*, vol. 913, cc. 2015-34, 25 June 1976.

leaving 10 Downing Street, the ex-Prime Minister was appointed by James Callaghan to chair an inquiry into the nation's financial institutions.<sup>47</sup> This had been provoked by a politically sensitive vote at the Labour Party Conference in favour of taking the bulk of the financial system into public ownership.<sup>48</sup> Neither Callaghan nor Wilson supported the radical agenda for nationalisation, however Wilson professed that he was persuaded by the view that the resources of the pension funds needed to be used according to the national interest. Yet, at the same time, he argued that

‘It is no use blaming the pension funds. They have one duty only, to ensure that the lad or lass in my constituency who left school last July to work in industry, shall have a pension in the year 2025 reflecting, inflation-proofed, the highest earnings he or she earned at work. This is enjoined by law, and by the trust deeds of individual pension funds.’<sup>49</sup>

The dilemma was that Wilson believed the funds needed to become more socially responsible in their investments (by providing long-term capital to industrial firms, rather than making short-term ‘speculative’ investments in non-productive areas), but that funds had a fiduciary duty to their members to obtain the best returns possible, regardless of their benefit or harm to the national economy. The solution, jointly proposed in a minority report produced for the Wilson committee by Wilson, Alfred Allen (General Secretary, Union of Shop, Distributive and Allied Workers), Clive Jenkins, Leif Mills (General Secretary, National Union of Bank Employees), and Lionel (Len) Murray (General Secretary, Trades Union Congress), was to create a national investment facility that would channel a proportion of pension and other institutional funds into domestic investment. This would be overseen by a committee of employers, employee representatives, and government, and it would allow the self-interest and trustee obligations of trade union representatives to operate alongside a co-ordination of national resources.<sup>50</sup>

The emergence of pension funds as substantial owners of British capitalism, and as a major source of investment, offered new opportunities for the left at the moment of post-war social democracy's crisis in the 1970s. Pension funds were seen both as an organic form of social ownership and a resource upon which the state could draw in order to spur industrial growth and modernisation. Yet these two responses to the pension fund revolution highlight tensions within the Labour Party's political-economic project in this period. The desire to use the funds to develop the national economy were in keeping with the approach, taken by Labour since the war, which sought to control and manage the national economy through centralised institutions (albeit in this instance with a more extensive direct control over investment that

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<sup>47</sup> Labour Party Archive, People's History Museum, Manchester [Henceforward LPA]: LP/RD/9/21, ‘Statement Made by James Callaghan at a Meeting of the NEC in Blackpool’, 24 September 1976.

<sup>48</sup> Davies, *The City of London and Social Democracy*, 96-107; 113-117.

<sup>49</sup> Harold Wilson, ‘How we put the City on its toes’, *Financial Weekly*, 16 March 1979.

<sup>50</sup> Davies, *The City of London and Social Democracy*, 70-74.

previously attempted). Commenting in 1986, Michael Lisle-Williams described the proposals of the minority report of the Wilson committee as simply an attempt to integrate institutional investors, such as pension funds, within the established tripartite, corporatist model of economic planning.<sup>51</sup> Yet the intention of giving workers direct, collective control over the investment of their own savings (mediated through their trade union representatives) was a novel idea that had closer affinities with the radical demands for industrial democracy proposed by the *Institute for Workers' Control* after 1968, and which had become increasingly influential with the Labour Party and trade union movement in the 1970s.<sup>52</sup> Although no direct links appear to have been made between the campaign for industrial democracy and control over pension fund investment, it is clear that the desire to give workers a say over how their pension funds were used was closely related to the broader efforts to give workers greater control over the management of the enterprises in which they worked.

Ultimately, neither the proposal for union representation on the management boards of pension funds, nor the Wilson and trade union proposals for a national investment facility, came to fruition. The latter idea was published in 1980 just as the 18-year Thatcherite crusade against the post-war social democratic settlement was getting under way, and so had no chance of ever influencing government policy. The former was derailed by the fact that the minority Labour government was unable to obtain support from the Liberal and nationalist parties in the House of Commons for trade union monopoly over worker trusteeship on pension funds.<sup>53</sup> The Labour Party's commitment to worker control of pension funds, and central direction of funds in the national interest, was maintained until late 1986 by Roy Hattersley as Shadow Chancellor, but was not included in the 1987 General Election manifesto.<sup>54</sup> By this point, employer-controlled pension funds had come under attack from the opposite end of the political spectrum.

### The Conservative Party

While the Labour Party was divided over the question of economic ownership in the post-war era, the Conservatives were united in their desire to create a 'property owning democracy'. As well as giving individuals a stake in society, Conservatives believed that property ownership provided the material basis for liberty, served to educate and incentivise individuals, helped to preserve moral values, and contributed to the maintenance of social order. This view had its roots in late-nineteenth century Toryism, was clarified and promoted by the Conservative intellectual Noel Skelton in the 1920s, and found its most high-profile

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<sup>51</sup> Michael Lisle-Williams, 'The State, Finance and Industry in Britain', in Andrew W. Cox (ed.), *State, Finance and Industry: A Comparative Analysis of Post-War Trends in Six Advanced Industrial Economies* (Brighton, 1986), 238.

<sup>52</sup> Wickham-Jones, *Economic Strategy and the Labour Party*, 68-70; Thompson, *Political Economy and the Labour Party*, 200-203.

<sup>53</sup> TNA: PREM 16/1869, Stanley Orme to Prime Minister, 'Member Participation in the Running of Occupational Pension Schemes', 11 May 1977; Stanley Orme to Len Murray, 'Member Participation in the Running of Occupational Pension Schemes', 27 July 1977; Stanley Orme to the Prime Minister, 15 August 1977.

<sup>54</sup> Roy Hattersley, *Economic Priorities for a Labour Government*, (Basingstoke, 1987), 150-158.

political advocate in Anthony Eden after the war.<sup>55</sup> In the post-war era the Conservative commitment to a property owning democracy was translated into a political project that sought to increase home ownership, primarily through the liberalisation of private house building in the 1950s and the provision of tax relief on mortgages.<sup>56</sup> Attempts to widen the ownership of capital had far less influence on the Conservatives – reflecting the party leadership’s practical reconciliation with the limited public ownership of the mixed economy. This passivity was eventually abandoned by the party under Margaret Thatcher after 1979, with her governments overseeing a mass, popular sale of public assets.<sup>57</sup> This was supported by the discounted sale of council houses and tax incentives for increasing share ownership (e.g. the introduction of Personal Equity Plans in the 1986 Financial Services Act).<sup>58</sup>

Throughout the post-war period the Conservatives had supported the expansion of occupational pensions. Retirement saving organised by employers was seen as the preferable private alternative to the expansion of state welfare provision. When the Labour Party proposed the creation of a state earnings-related pension in the late 1950s, the Conservatives were ardently opposed.<sup>59</sup> After 1974, as the Labour Party sought to provide improved retirement incomes for the half of the working population without a private pension, the Conservatives were only placated when they were given assurances that the ‘State Earnings Related Pension Scheme’ would not reduce or constrain the provision of occupational pensions.<sup>60</sup> As a Conservative Party paper prepared in advance of the 1974 autumn general election put it, the fundamental dichotomy on pensions was simply between ‘the principles of choice, sound finance, and healthy private investment, versus a highly taxed, state dominated and socialist society.’<sup>61</sup> A 1975 paper produced by the Conservative Research Department lauded occupational pension schemes as ‘good for the contributor and his family and for the nation as a whole.’<sup>62</sup>

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<sup>55</sup> Noel Skelton, *Constructive Conservatism*, (Edinburgh, 1924); Anthony Eden, *Freedom and Order: Selected Speeches 1939 – 1946*, (London, 1947); Ben Jackson, ‘Property-Owning Democracy’, in Martin O’Neill and Thad Williamson (eds.), *Property-Owning Democracy: Rivals and Beyond*, (Oxford: Blackwell, 2012), 37-40; Matthew Francis, “‘A Crusade to Enfranchise the Many’: Thatcherism and the “Property-Owning Democracy””, *Twentieth Century British History*, 23: 2 (2011), 275-297; Stephen Evans, ‘The Not So Odd Couple: Margaret Thatcher and One Nation Conservatism’, *Contemporary British History*, 23: 1 (2009), 101-121.

<sup>56</sup> Harriet Jones, “‘This is Magnificent!’: 300,000 Houses a Year and the Tory Revival after 1945’, *Contemporary British History*, 14: 1 (2000), 99-121; Peter Weiler, ‘The Conservatives’ Search for a Middle Way in Housing, 1951–64’, *Twentieth Century British History*, 14: 4 (2003), 360-390.

<sup>57</sup> Aled Davies, “‘Right to Buy’: the Development of a Conservative Housing Policy, 1945-1980’, *Contemporary British History*, 27: 4 (2013), 421-444; Steven Richards, ‘The Evolution of Privatisation as an Electoral Strategy, c. 1970-90’, *Contemporary British History*, 18: 2 (2004), 47-75.

<sup>58</sup> Martin Daunton, ‘Creating a dynamic society: the tax reforms of the Thatcher government’, in Marc Buggeln, Martin Daunton, and Alexander Nützenadel (eds.), *The Political Economic of Public Finance: taxation, state spending and debt since the 1970s*, (Cambridge, 2017), 45.

<sup>59</sup> Pemberton, ‘The Failure of Nationalization by Attraction’, 1436; 1446.

<sup>60</sup> Anne Perkins, *Red Queen: the authorized biography of Barbara Castle*, (Basingstoke: Macmillan, 2003), 377-379.

<sup>61</sup> Conservative Party Archive, Bodleian Library, Oxford [Henceforward CPA]: CRD 4/7/73, ‘Conservative Blue Paper on Occupational Pension Policy’, 1974.

<sup>62</sup> CPA: CRD 4/7/61, CEB/JW, ‘Conservative Strategy on Labour’s Pensions Plan’, 27 February 1975.

The question of ‘ownership’ through pensions, however, seems to have had little relevance for the Conservative Party. Although Harold Macmillan had condemned the Labour Party’s 1957 proposal to invest its proposed national superannuation fund in the stock market as ‘nationalization by the back door’, the party took little interest in the ownership implications of the occupational schemes before Thatcher was elected to the party’s leadership in 1975.<sup>63</sup> Yet as the party became more committed to the realisation of its property-owning ideal during its years in opposition, pension and insurance funds came to be seen as a positive example of widening share ownership. A 1976 Conservative policy document, *The Right Approach* (a key statement of the Thatcherite re-direction of the party), recognised that ‘millions of workers [were] already major equity owners at one remove through their pension funds and life assurance policies’. The document stated that the party wished to build upon this by using the ‘tax system to help make Britain a nation of genuine worker owners.’<sup>64</sup> A follow-up document, *The Right Approach to the Economy*, made a direct link between the party’s programme for ‘wider ownership and personal capital building’ and the ‘chance...to acquire a proper stake (albeit at one remove) in the ownership of the wealth of the community’ offered by occupational pensions and life assurance schemes.<sup>65</sup> Thatcher herself took this measured account of the benefits of pension and insurance funds further when, in a speech to the Zurich Economic Society in 1977, she celebrated them as ‘a kind of people's capitalism’:

‘Eight families out of ten have a stake in stocks and shares through these funds and other non-governmental and charitable service organisations. As shareholders and employees, investors and workers have [an] identity of interest. The class struggle is withering away—to adapt a well-known phrase of Marx and Engels. Thanks to this new development, which has gone on under our very eyes, capital and labour together can realise that their interests are the same.’<sup>66</sup>

Such optimism was also borne from a fear of Labour and the trade unions’ agenda for collective control of the funds. Concerned by the prospect of a left-wing takeover, Sir Keith Joseph and Alfred Sherman attempted to mobilise the pension and insurance funds against this threat. As founders of the newly formed *Centre for Policy Studies* (CPS) think-tank, they encouraged the institutions to undertake education campaigns amongst their members to explain how their retirement income was dependent on the efficient functioning of a free market economy, of which, through their retirement savings, they owned a significant share.<sup>67</sup> In

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<sup>63</sup> Pemberton, ‘The Failure of Nationalization by Attraction’, 1435; as Prime Minister, Edward Heath became concerned with the failure of institutional investors (such as pension funds) to support British industry, despite owning large swathes of it – Davies, *The City of London and Social Democracy*, 42-52.

<sup>64</sup> Margaret Thatcher Foundation Online [Henceforward MTF]: *The Right Approach: a statement of Conservative aims*, (October, 1976).

<sup>65</sup> MTF: *The Right Approach to the Economy: outline of an economic strategy for the next Conservative government*, October 1977.

<sup>66</sup> MTF: Margaret Thatcher, ‘Speech to the Zurich Economic Society: ‘The New Renaissance’’, 14 March 1977.

<sup>67</sup> On the history of the CPS, see: Ben Jackson, ‘The Think Tank Archipelago: Thatcherism and Neo-Liberalism’, in Ben Jackson and Robert Saunders (eds.), *Making Thatcher's Britain*, (Cambridge, 2012), 43-61; Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983*, (London, 1994); Andrew Denham and Mark Garnett, *Keith Joseph*, (Chesham, 2001).

1976, Joseph wrote to the shadow Chancellor, Sir Geoffrey Howe, to outline his idea for persuading the managers of pension and insurance funds to communicate ‘the economic facts of life’ to their members. The hope was that it would be possible to bring together ‘a handful of key figures in the occupational pension world... to produce very simple material driving home the importance of profits and, for instance, of not interfering with commercial rents so far as the interests of pensioners and policy-holders are concerned.’<sup>68</sup> Sherman pressed upon Margaret Thatcher the need to rouse the pension funds, telling her that

‘Our battle against the Bullock [committee on industrial democracy] would gain enormously if we were able to mobilise even part of the millions of people who are indirect shareholders, in that through their life insurance and pension funds they own half or more of industrial equity. It is estimated that up to 75% of British families hold a stake in quoted shares other than by direct ownership. This means approximately twice as many families as the TUC members and theirs. They represent a majority of voters, wage and salary earners, and probably of trade unionists too.’<sup>69</sup>

He described the fund members, in language typical of an ex-Communist, as ‘our reserve army’ and asserted that institutional investors should be defended in their existing form as ‘true industrial democracy’.<sup>70</sup> The CPS’s enthusiasm for the pension and insurance funds as bulwarks against socialism was, however, left disappointed by the reluctance of institutional investors to enter the political fray (it seems as though the CPS agenda was too explicitly ‘party political’), and Joseph and Sherman’s proposals faded away after 1977.<sup>71</sup> Yet Sherman’s desire to bring ‘institutional ownership...into the framework of our [the CPS’s] politico-economic overview’ returned in 1983 in the form of a new proposal – ‘personal and portable pensions’.<sup>72</sup>

Inflation in the mid-1970s, in which the annual rate of price increases in Britain peaked at 24 per cent in 1975, wreaked havoc on Britain’s consensual, post-war social-democratic political economy. On a smaller scale, this rate of inflation created a particular difficulty for occupational pensions – the so-called ‘early leaver problem’. If an individual decided to change jobs (to leave one employer and move to another; and therefore leave one pension scheme and join another) the contributions they had made to the previous employer’s pension fund would remain and could be only claimed when the employee ultimately retired. The problem was that, in an inflationary environment, those contributions would rapidly lose their value

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<sup>68</sup> Alfred Sherman Papers, Royal Holloway, University of London [Henceforward AS]: Letter from Sir Keith Joseph to Sir Geoffrey Howe, 20 January 1976.

<sup>69</sup> AS: Memorandum from Alfred Sherman to Margaret Thatcher, ‘Insurance and Pension Funds – Our Reserve Army’, 24 January 1976.

<sup>70</sup> Ibid.; on Sherman’s communism, see Alfred Sherman, *Paradoxes of Power: reflections on the Thatcher interlude*, (London, 2005), 33-42.

<sup>71</sup> AS: AC 967, Letter from T.J. Palmer (General Manager, *Legal & General*) to David Howell, 22 January 1976; Letter from Alfred Sherman to David Howell, 29 January 1979; Letter from P.E. Moody (Joint Secretary and Investment Manager, *The Prudential Assurance Company*) to Alfred Sherman, 22 June 1976;

<sup>72</sup> MTF: Alfred Sherman, Memorandum: CPS’s Long-term Publishing Programme, 8 August 1978.

unless the previous employer committed to preserving them (so-called ‘inflation proofing’). The 1970s inflation shock had highlighted that employers were under no obligation to preserve the contributions of ex-employees, and they were in practice highly reluctant to take-on such an unknown and potentially expensive commitment. This was deemed by many to be deeply unfair to the employee who had no option but to leave their contributions in the fund, at the whim of their previous employer.<sup>73</sup> In the early-1980s, government and pension industry stakeholders (including fund trustees, employers, actuaries, and trade unions) debated how to solve the problem at length, but struggled to find a satisfactory solution. A radical answer to the problem was, however, proposed by the CPS. Devised by two members of the think-tank’s ‘Personal Capital Formation Study Group’ – Nigel Vinson (a businessman and co-founder of the CPS, who had previously been Chairman of the Industrial Participation Association, and Chairman of the study group) and Philip Chappell (a merchant banker at Morgan Grenfell) – the proposed solution to the early leaver problem was to enable all employees to take responsibility for their own pension in the form of a ‘personal and portable pension’.<sup>74</sup> They argued that the most effective means to overcome the ‘grave injustice on those who change jobs’ was for ‘people, if they wish, to be given the chance to run their own personalised pensions as if they were self-employed through segregated funds’. Although employers and employees would both contribute to these individualised funds, when the employee changed jobs the fund in its entirety would go with them to their new job. Responsibility for managing the fund was delegated to the individual employee, thus extricating previous employers from any obligation to their ex-employees.<sup>75</sup> Having a personal pension would be fundamentally different from being a member of an occupational pension scheme. On retirement from a personal pension an individual would receive a pensionable income related to the contributions made to the individual pension fund over the course of a working life time, plus the returns generated by the investment of that fund. This differed from a salary-related pension, which promised the employee a certain pension income on retirement, drawn from the collective occupational fund, and was usually related to the employee’s final salary.<sup>76</sup>

The personal pensions proposal was presented as a simple solution to the technical problem facing occupational pension schemes. However, given that the idea was the product of the CPS ‘Personal Capital Formation Study Group’, Vinson and Chappell were in fact promoting a wider ideological agenda. In a letter to the Prime Minister in 1981 Vinson had outlined that the core motivation of the study group was to ‘widen and make more personal the ownership in wealth in all forms.’ Yet while the government could point to giving council tenants a ‘right to buy’ their own homes in 1980, as well as the start of a broader

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<sup>73</sup> ‘Pity the Pensioner’, *Economist*, 1 September 1979; Paul Barry, ‘The Great British Pensions Scandal’, *Times*, 24 June 1981; Barry Riley, ‘A pension stranglehold, but legislation is difficult’, *Financial Times*, 25 July 1981; Lorna Bourke, ‘How employees lose out when they change jobs’, *Times*, 23 April 1983.

<sup>74</sup> Gerald Frost, *Making Things Happen: the life and original thinking of Nigel Vinson*, (London, 2015), 77-131, 183-213.

<sup>75</sup> Centre for Policy Studies, ‘Personal and Portable Pensions – for all’, (1983) [<http://www.cps.org.uk/publications/reports/personal-and-portable-pensions-for-all/>].

<sup>76</sup> In contemporary terms, the occupational pensions were ‘defined benefit’ schemes, and personal pensions were ‘defined contribution’ schemes.



privatisation programme, Vinson stated that the group's primary concern was 'the increasing concentration of wealth in the hands of institutions.'<sup>77</sup> In fact, in written evidence to a government inquiry on pensions that took place in 1984, Vinson and Chappell appeared somewhat indifferent to the government's achievements and argued that, given the size of pension and insurance funds, they offered 'a far more significant opportunity for widening the understanding of wealth creation and first-hand capitalism than extensions of home ownership'.<sup>78</sup> This anti-institutionalism was a clear break with Thatcher's enthusiasm in 1977 for pension and insurance fund 'people's capitalism'.<sup>79</sup> Where Thatcher had seen this as a key component of the new property owning society, Vinson and Chappell believed that institutionalisation had simply served to obscure the direct relationship between individuals and their personally accumulated capital. Institutional ownership meant that there was no awareness of, or 'personal identification' with, the assets technically owned by the individual, and that this prevented individuals from taking any interest in them.<sup>80</sup> A key supporter of the CPS agenda, Walter Goldsmith (Director General of the Institute of Directors), condemned 'the mists of actuarial wizardry' that ensured individuals were incapable of recognising their own wealth in pension and insurance funds.<sup>81</sup> It was Vinson's view that

'...unless some pension changes are introduced now to restore a greater sense of personal ownership, simplicity, and genuine involvement in the underlying asset, the nation's wealth, increasingly dominated by retirement provision, will be regarded as nobody's money'.<sup>82</sup>

According to Vinson, the goal should be 'to turn "nobody's money" into "somebody's money"' – in other words, to reassert and realign individual, rather than collective, property rights.<sup>83</sup>

The CPS concern to promote individual capital ownership at the expense of the institutions was based on a fundamental fear for the future sustainability of the market economy in general. A particular concern was that the institutional barrier between individuals and their assets threatened, in the long-term, the security of the market order because it limited the public's understanding of the 'wealth creation process'.<sup>84</sup> Since, according to Chappell, the institutionalisation of pensions 'cloak[ed] the reality of ownership', the 'beneficiaries, the British workforce, [were] uninvolved and [had] little understanding of the importance of our industrial success'.<sup>85</sup> In a letter to the Chancellor of the Exchequer a few days after Thatcher's 1983 general election landslide, Vinson argued that breaking up the occupational pensions and insurance

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<sup>77</sup> MTF: Nigel Vinson to Margaret Thatcher, 11 June 1981.

<sup>78</sup> TNA: T 530/128, Centre for Policy Studies: Personal and Portable Pensions, Evidence to the Retirement Provision Inquiry, 6 January 1984.

<sup>79</sup> MTF: Margaret Thatcher, 'Speech to the Zurich Economic Society: The New Renaissance', 14 March 1977.

<sup>80</sup> Ibid.

<sup>81</sup> TNA: BN 147/30, Walter Goldsmith (IOD) to N Fowler, 31 January 1984.

<sup>82</sup> TNA: BN 147/27, Nigel Vinson and Philip Chappell to Nick Montagu, 9 February 1984.

<sup>83</sup> TNA: BN 147/10, Nigel Vinson, 'Draft Statement to be issued by Centre for Policy Studies if and when the government announces the option of Personal and Portable Pensions for all', July 1984.

<sup>84</sup> MTF: Nigel Vinson to Margaret Thatcher, 11 June 1981.

<sup>85</sup> Philip Chappell, *Pensions and Privilege: how to end the scandal, simplify taxes and widen ownership*, (London, 1988), 9.

companies would ‘give a new opportunity for 24 million people to have a real sense of involvement in the industrial success of this country’ and ‘create a national sense of common purpose and genuinely participatory society.’<sup>86</sup> Vinson and Chappell believed that ‘only if individuals participate directly in the creation of wealth can they understand the benefits which it brings to society at large.’<sup>87</sup> Institutionalisation, and its resulting alienation of the individual from the market, meant that the electorate remained ignorant of the benefits of a free economy, and was thus left vulnerable to the false promise of socialism.

Vinson and Chappell also shared the long-standing CPS fear that the substantial assets of pension funds were vulnerable to nationalisation. They were, in Vinson’s view, ‘a socialist Trojan horse’, which needed to be dismantled because, as he told Sherman in 1983, ‘when pensions are personalised, they are harder to nationalise!’<sup>88</sup> However, the advocates of personal pensions were not simply fearful of state control, but opposed also to the concentration of private economic power in the hands of the institutions. In a contribution to debate in the House of Lords in 1986, Vinson (who had been awarded a peerage in 1985) stated his view that

‘I happen to believe that the basis of our free society in the Western world is diffused economic power, disseminated economic power giving multiple patronage and the maximum sources of initiative, inventiveness and enterprise. If we as a society, in the name of leaving things free to the market, concentrate that power quite unnecessarily, we do so to our long-term peril.’<sup>89</sup>

In a pamphlet published in the same year, Vinson and Chappell asserted the radical opinion that ‘institutionalised capitalism, because of its concentration of power and diminishment of individual enterprise, is just as much a betrayal of the open society as socialism itself.’<sup>90</sup>

Beyond their concern with the concentration of economic power, personal pensions were intended to instruct individuals in how to act and behave as individuals in society. The abolition of final salary occupational pension schemes (in which risk was pooled collectively across a workforce) and their replacement with ‘money purchase’ pensions (in which risk was borne by individual employees) was an attempt to make individuals in society responsible for their own decisions. In the first instance this entailed rejecting the ‘high moral view’ of ‘paternalists, crypto-socialists and centralists’ that

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<sup>86</sup> NV: Nigel Vinson to Geoffrey Howe, ‘Background note for Meeting with the Personal Capital Formation Group at 1000 Wednesday 23 June 1983’, 15 June 1983.

<sup>87</sup> Philip Chappell and Nigel Vinson, ‘Owners All: a proposal for personal investment pools’, Centre for Policy Studies Policy Challenge, (1985). [<http://www.cps.org.uk/publications/owners-all/>]

<sup>88</sup> NV: Nigel Vinson to Geoffrey Howe, ‘Background note for Meeting with the Personal Capital Formation Group at 1000 Wednesday 23 June 1983’, 15 June 1983; AS: AC 969-972: Nigel Vinson to Alfred Sherman, ‘Option of Self Employed Pensions for All’, 29 March 1983.

<sup>89</sup> Lord Vinson, 22 January 1986, *Parliamentary Debate*, House of Lords, 6<sup>th</sup> Ser., vol. 90, cc 279-31.

<sup>90</sup> Chappell and Vinson, ‘Owners All’.

‘...since an individual cannot be trusted to provide for his family or his own retirement, it is said that it becomes the positive obligation of the State, or an employer, to set aside such a provision on his behalf.’<sup>91</sup>

While defenders of occupational pensions argued that, for example, it was necessary to compel workers to join company schemes because they would otherwise fail to make adequate provision (young people in particular were often not concerned with saving for a pension), Vinson and Chappell believed that such interventionism was unjustifiable. Furthermore, money purchase pensions were deemed morally superior to occupational schemes because they taught individuals ‘a fundamental economic truth’ that ‘what you get out reflects what you put in.’<sup>92</sup> If an individual’s retirement income depended simply on the individual’s personal saving and investment decisions, pensioners would ultimately get what they deserved. While critics of the CPS proposals (an alliance that included the CBI, TUC, and the National Association of Pension Funds) expressed concern that individuals were liable to make bad decisions that could destroy their pension savings, advocates of personalisation argued that it was not only patronising to ‘play down the intelligence of the individual’ but that ‘if people have an interest in their financial affairs they will learn to handle them well, just as they learn to fill intricate combinations of football coupons.’<sup>93</sup> Personal pensions would therefore give individuals an incentive, and a means, to learn to act as more ‘responsible’ individuals and to support themselves. In this sense, the policy was an attempt to create a society of individuals imbued with market-conforming moral and behavioural norms.<sup>94</sup>

While their championing of individual ownership had clear ties with the long-standing Tory ideal of creating a property owning democracy, the radical anti-institutionalism of Vinson and Chappell was distinctively new within the Conservative Party’s ownership agenda in the early 1980s. This novelty was in large part because the political ‘problem’ of pension fund ownership (and the threat of socialisation) had emerged only in the preceding decade, and so the opportunity for such ideas to develop had not previously been present. Beyond this, it is difficult to trace the intellectual and ideological origins of the CPS proposals, but there do appear to be strong affinities between their ideas and a particular strand of post-war neoliberal thought: the German ‘ordoliberals’. Ralf Ptak and Werner Bonefeld have both shown that the ordoliberals were a group of anti-collectivist German political thinkers (such as Walter Eucken, Franz Böhm, Alexander Rüstow, Wilhelm Röpke and Alfred Müller-Armack) who were committed to preserving individual liberty through free and competitive markets, which they believed could only be created by a strong state

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<sup>91</sup> Chappell, *Pensions and Privilege*, 43.

<sup>92</sup> TNA: BN 147/36, Nigel Vinson (CPS) oral evidence to DHSS Public Inquiry into Provision for Retirement, 24 January 1984.

<sup>93</sup> TNA: BN 147/36, Richard Neale (CBI) oral evidence to DHSS Public Inquiry into Provision for Retirement, 21 February 1984; TNA: BN 147/36, Walter Goldsmith (IOD) oral evidence to DHSS Public Inquiry into Provision for Retirement, 14 February 1984.

<sup>94</sup> On the tensions inherent within the behavioural ideals promoted by personal pensions, see Aled Davies, James Freeman, and Hugh Pemberton, ‘Everyman a capitalist’ or ‘Free to Choose?’ Exploring the tensions within Thatcherite individualism’, *The Historical Journal*, [Forthcoming, 2017]

committing to intervening in the economy to prevent the emergence of monopolies and concentrations of private economic power.<sup>95</sup> Furthermore, the ordoliberals believed that for the market order to be upheld, and for the maintenance of social stability, it was necessary to reform society so that individuals were equipped with the moral and behavioural norms necessary for it markets to function effectively. The ordoliberal aim was to create a ‘social market economy’, which would serve to ‘de-proletarianise’ society by dispersing private property to individuals in order to imbue them with individualist values of self-sufficiency and entrepreneurialism. They believed that this would also eliminate the demand for a paternalist, freedom-denying, welfare state.<sup>96</sup> If we compare the CPS arguments for personalising pensions with the core ideas of ordoliberalism, we can identify clear similarities. Vinson and Chappell sought to use the state to intervene in the market to break up concentrations of private power. Furthermore, the policy sought to secure the future sustainability of the market economy by creating entrepreneurial, capitalist individuals in control of their own private property. The conceptual affinity between ordoliberalism and the personal pension proposals is underlined by the fact that the CPS’s first publication, which was co-authored by Vinson, was entitled ‘Why Britain Needs a Social Market Economy’.<sup>97</sup> In their biography of the CPS’s leading figure, Sir Keith Joseph, Andrew Denham and Mark Garnett suggest that this original interest in the ‘social market economy’ was superseded by ‘other priorities’ after 1975.<sup>98</sup> The anti-institutionalism of the CPS in Thatcher’s second term suggest that this view should be re-evaluated.

The CPS’s proposal for personal pensions had a substantial impact on the long-standing, and by that time rather tired, debate over how to solve the problem of the occupational pension ‘early leaver’, and support for the idea was taken up by Thatcher and her key advisors. In October 1983 the Secretary of State for Health and Social Security, Norman Fowler, was asked by the Prime Minister to undertake an inquiry into pension reform that would examine how personal pensions could be introduced.<sup>99</sup> Meanwhile, Thatcher appointed John Redwood to her Downing Street Policy Unit, where he was given responsibility for driving forward a radical pension reform agenda.<sup>100</sup> Redwood was a vociferous advocate of pension personalisation who, according to one Treasury official, was ‘anxious to destroy all final salary schemes’.<sup>101</sup> Yet when personal pensions were eventually introduced in the 1986 Social Security Act, the radical aim to deinstitutionalise ownership had been substantially blunted.<sup>102</sup> A key reason for this is that the Vinson and

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<sup>95</sup> Ralf Ptak, ‘Neoliberalism in Germany: Revisiting the Ordoliberal Foundations of the Social Market Economy’, in Philip Mirowski and Dieter Plehwe (eds.), *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*, (Cambridge, 2015), 98-138; Werner Bonefeld, ‘Freedom and the Strong State: on German Ordoliberalism’, *New Political Economy*, 17: 5 (2012), 633-656.

<sup>96</sup> Bonefeld, ‘Freedom and the Strong State’, 641.

<sup>97</sup> *Why Britain Needs a Social Market Economy*, Centre for Policy Studies, 1975.

[<http://www.cps.org.uk/publications/reports/why-britain-needs-a-social-market-economy/>].

<sup>98</sup> Denham and Garnett, *Keith Joseph*, 240-241.

<sup>99</sup> TNA: BN 13/278, M.J.A. Partridge to S.A. Godber, ‘The Pensions Inquiry’, 26 October 1983.

<sup>100</sup> Lionel Barber, ‘Thatcher demands pension shake-up’, *Sunday Times*, 14 August 1983.

<sup>101</sup> TNA: T 530/129, G W Watson to Minister of State, Portable Pensions, 6 March 1984.

<sup>102</sup> For a fuller account of the limitations on personal pensions, see Davies, Freeman, and Pemberton, ‘Everyman a capitalist’ or ‘Free to Choose?’

Chappell ideas went far beyond the post-war Conservative Party's consensus on the 'property owning democracy' ideal. While Norman Fowler dutifully obeyed the Prime Minister's request, he evidently did not share Vinson and Chappell's anti-institutionalism and was unwilling to attack existing occupational pensions.<sup>103</sup> Furthermore, while the Prime Minister (at the behest of her radical advisors in the Downing Street Policy Unit – Redwood and David Willetts) was keen on personal pensions, she herself appears not to have signed up to the radical critique of institutional saving and investing, telling a radio interviewer in 1985 that she wanted more people to obtain the 'great prestige symbol' of an occupational pension.<sup>104</sup> The CPS agenda was also weakened by the practical difficulties of actually achieving their aims. In particular, it was clear that if individuals were in fact freed from their occupational pensions they would likely choose to delegate the management of their personal pension to a large insurance company, which would serve only to increase the degree of institutionalisation.<sup>105</sup> In the end, fear of probable poor financial decision making by individuals and its resultant social costs, determined that when personal pensions were finally introduced individuals were in fact *required* to delegate their investments to a large financial institution.<sup>106</sup>

The growth of pension funds appeared, at first, to support the Conservatives' ideal of creating a property owning democracy, which the party believed required little more than a defence against the encroaches of the Labour Party and trade unions. This optimism about institutional ownership was not shared, however, by Nigel Vinson and Philip Chappell. Their attempt to individualise ownership, at the expense of the occupational pension schemes that the Conservatives had championed since the war, was a radical departure from the party's traditional approach to widening property ownership. Where the policy of selling council houses had been popular in the party since the 1940s, and had been adopted as party policy by the early 1970s, personal pensions had no such roots.<sup>107</sup> This suggests that while E.H.H. Green's claim that we should see Thatcherism as the product of 'long-standing arguments and trends in the Conservative Party's subculture since 1945' is an important corrective to claims about Thatcherism's novelty, we should not lose sight of the radical new ideas from outside the party's traditions that also shaped, in very significant ways, the ideological agenda of the Thatcher governments.<sup>108</sup>

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<sup>103</sup> TNA: BN 13/278, S.A. Godber to A. Turnbull, 26 October 1983; T 530/128, N. Fowler to Prime Minister, 'Early Leavers and the Pensions Inquiry', November 1983.

<sup>104</sup> Peter Riddell, 'Cabinet to discuss pension options', *Financial Times*, 7 May 1985.

<sup>105</sup> TNA: BN 147/26, Michael S Morris (Director General, British Insurance Brokers' Association) to N Montagu, Inquiry into Provision for Retirement: Personal Portable Pensions, 20 January 1984.

<sup>106</sup> TNA: CAB 129/219/27, C(85)27, Review of Social Security: Final Decisions, Memorandum by the Secretary of State for Social Services, 25 November 1985; Eric Short, 'Freedom to choose has its pitfalls', *Financial Times*, 1 February 1986.

<sup>107</sup> Davies, 'Right to Buy'; that is not to say that there weren't advocates for increasing individual share ownership such as the Wider Share Ownership Council – see Amy Edwards, 'Manufacturing Capitalists': The Wider Share Ownership Council and the Problem of 'Popular Capitalism', 1958–92', *Twentieth Century British History*, 27: 1 (2016), 100–123.

<sup>108</sup> E.H.H. Green, *Thatcher*, (London: Hodder, 2006), 53.

## Conclusion

Political historians of post-war Britain have generally overlooked the significant economic and social changes that took place in the three decades following the Second World War. The characterisation of these years as the so-called ‘post-war consensus’ (or, more recently, as ‘social democracy’) has tended to portray the period as one of stasis.<sup>109</sup> But against the background of political consensus major changes to Britain’s economy and society were taking place that destabilised the material underpinnings of the political order that had been constructed in the 1940s and 1950s. Most prominently, the rapid improvements in living standards, coupled with mass consumerism, created a more prosperous and individualistic society that demanded – or came to expect – a greater degree of personal freedom and autonomy. As Emily Robinson, et. al., have argued, the political outcomes of this were not certain or pre-determined, and it would be wrong to view Thatcherism as the inevitable product of post-war affluence.<sup>110</sup> However, political historians must avoid focusing their attentions too narrowly on the ideas and interests of politicians and parties, and must endeavour instead to situate the high politics of post-war Britain within its changing economic and social context.

This article has drawn attention to one of the most profound economic changes that took place during the post-war decades: the mass membership of occupational pension schemes and the resulting expansion of capital ownership to millions of people in Britain. While the emergence of pension funds as major owners of British capital in the post-war decades initially went unnoticed in British politics, its significance was finally recognised during the political-economic crisis of the 1970s and early 1980s. In this tumultuous period both the Labour and Conservative parties saw the pension fund revolution as providing an opportunity to pursue their respective political agendas. However, as has been shown, the response of both parties was not straightforward, and in fact served to expose divisions and tensions within their respective attitudes to ownership. Within the Labour Party a desire to direct the pension funds, via the state, to revitalise the nation’s ailing industrial base partially conflicted with a newly emergent preference within the trade unions for worker control and industrial democracy. Harold Wilson and the trade union leadership did ultimately appear to find a solution that seemed to satisfy these competing demands, but Labour’s minority government and ultimate loss of office in 1979 meant that the party was in no position to achieve significant reform. Meanwhile, the Conservatives initially saw occupational pension funds as a positive, market-led development of a ‘property owning democracy’, but this optimism came under attack from radical thinkers within the influential Centre for Policy Studies think-tank who viewed institutionally-

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<sup>109</sup> On the ‘post-war consensus’ debate see Dennis Kavanagh and Peter Morris, *Consensus Politics from Attlee to Thatcher* (Oxford: Blackwell, 1989); Harriet Jones and Michael Kandiah, *The Myth of Consensus: New Views on British History, 1945–64*, (Basingstoke: Macmillan, 1996). See also James Vernon, ‘The Local, the Imperial and the Global: Repositioning Twentieth-Century Britain and the Brief Life of its Social Democracy’, *Twentieth Century British History*, 21: 3 (2010), 404-418.

<sup>110</sup> Emily Robinson, Camilla Schofield, Florence Sutcliffe-Braithwaite, and Natalie Thomlinson, ‘Telling Stories about Post-war Britain: Popular Individualism and the ‘Crisis’ of the 1970s’, *Twentieth Century British History*, 28: 2 (2017), 268-304.

mediated ownership as a check on individual freedom and a threat to the market-order upon which a free society depended. The CPS agenda provided a novel ideological impetus for the Thatcher governments, but it was constrained in practice by the fact that it contradicted the party's long-standing support for occupational pensions, and by the practical reality that most individuals were unwilling and unable to manage their own retirement savings. The political struggles within and between the parties in response to the expansion of pension funds demonstrates that political historians can incorporate economic and social change within their analysis of post-war British politics without resorting to simplistic materialism. In this instance, we can see that the widening of capital ownership through pension funds did not lead to an inevitable political outcome, but did generate a range of new and conflicting policy agendas in response.

In addition to arguing for the necessity of placing the political upheavals of the 1970s and 1980s in their material context, this article also encourages historians of post-war Britain to reflect on the commonplace tendency to describe the period since the Second World War as one of social democratic consensus replaced by a Thatcher-constructed neoliberal consensus. The findings in this article complicate this characterisation. In the first place, they do so by reminding us that some of the core planks of the post-war consensus do not fit easily within our traditional understanding of the welfare state: inegalitarian occupational pensions were provided to only half of the working population by tax-incentivised employers. It was not until the Social Security Act of 1975 that a state-run earnings-related pension scheme was introduced, only to be subsequently dismantled by the Thatcher governments. Labour's attempt to integrate pension funds within its broader political-economic strategy suggests that the social democratic project was dynamic and able to adapt to change, and was not, as is often suggested, moribund by the mid-1970s. Secondly, the article calls into question the extent to which the post-1979 neoliberal period can be understood as the product of a coherent ideological project implemented in the 1980s. It does so by reminding us that post-war neoliberal thought consisted of a range of ideas and ideological preferences. For example, Rob Van Horn has shown how the ordoliberal fear of concentrated private economic power in monopolies was not shared by the Chicago neoliberals.<sup>111</sup> In this instance, therefore, we can see that Thatcherite pension policy was, at least to begin with, shaped by the former strand of neoliberalism rather than the latter. Furthermore, at first glance the pensions agenda promoted by Vinson and Chappell appears to have been successful. From the perspective of the early 21<sup>st</sup> century we can see that defined benefit pension schemes provided by employers have been in terminal decline, and that pensions based on individual contributions and investment performance have become the norm.<sup>112</sup> However, Vinson and Chappell's coherent vision of a society of individuals taking personal responsibility for managing their own retirement savings has not come to fruition. Indeed the 2008 Pensions Act made it mandatory for employers to enrol all staff in defined

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<sup>111</sup> Rob Van Horn, 'Reinventing Monopoly and the Role of Corporations: the Roots of Chicago Law and Economics', in Mirowski and Plehwe (eds.), *The Road from Mont Pelerin*, 204-237.

<sup>112</sup> For a brief history of trends in pension provision in the late twentieth century see 'Pensions: Challenges and Choices. The First Report of the Pensions Commission', (Norwich: TSO, 2004), 57-126.

contribution schemes that are overwhelmingly managed by large financial institutions.<sup>113</sup> Despite the best efforts of the neoliberal revolutionaries in the 1980s, armed initially with the support of Prime Minister herself, the basic architecture of the post-war pensions consensus has survived to this day. This suggests that while it is appropriate to see the Thatcher governments as being, in part, driven by radical neoliberal ideology, this was evidently constrained and limited. British neoliberalism was fractured from the start, uneven in application, and conditioned by established norms and practices.

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<sup>113</sup> Pensions Act 2008.